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THE HOG SITUATION

Summary

Any advance in hog prices which may occur during the next 2 months probably will be small, since the effect of decreased slaughter supplies upon prices in this period may be largely offset by the present large storage stocks of hog products. When marketings of hogs from the 1936 fall pig crop begin in large volume in late April and May, some decline in prices may occur. If 1937 corn crop prospects are favorable, market supplies of hogs in late summer will be smaller than a year earlier, and hog prices in this period probably will advance to the highest levels for the present marketing year.

In view of the continued low hog-corn price ratio and the current short supplies of feed grains, the number of sows to farrow this spring probably will be smaller than the number farrowing last spring by at least as much as 5 percent, the figure indicated by the December Pig Crop Report. But, if corn production this year is about average or greater than average, a considerable increase in the 1937 fall pig crop probably will occur.

Hog prices declined during the last 3 weeks of January after advancing from late November to early January. Some recovery in prices, however, occurred in early February. Inspected hog slaughter in January was 25 percent smaller than in December but slightly larger than a year earlier. The January decline in prices apparently was brought about by several factors: large storage holdings of hog products; general anticipation that supplies of hogs available for market during the remainder of the year would be larger

than was expected earlier; and some weakness in the demand for hog products which developed as a result of floods in the Ohio Valley, strike conditions and unseasonably warm weather in Eastern consuming centers.

Storage stocks of hog products on February 1 were larger than average and about twice as large as those of a year earlier. Accumulations of hog products from November 1 to February 1 were unusually large, partly because of the relatively large hog slaughter in November and December, and partly because of the strong demand for hog products for storage. The increase in storage holdings of pork and lard on February 1 compared with a year earlier was equivalent to the products of about 2,500,000 hogs of average market weights.

Review of Recent Developments

Background.- Hog prices in the marketing year 1935-36 averaged higher than in any year since 1928-29 and were more than double those of 1932-33. The rise in hog prices since 1932 was due partly to the improvement in consumer demand for meats and partly to the very small slaughter supplies of hogs occasioned by the drought of 1934. In early September 1936 the weekly average price of hogs at Chicago reached \$10.25, but prices declined about \$1 per 100 pounds from late September to late October.

Hog prices decline in January.- After advancing almost steadily from late November to early January, hog prices declined during the last 3 weeks of the latter month. The average price of hogs at Chicago rose from \$9.43 for the week ended November 21 to \$10.41 for the week ended January 9, and then declined to \$9.99 for the week ended January 30. The January decline in prices apparently was brought about by several factors, among which were: the large storage holdings of hog products; the general anticipation that the supply of hogs available for market during the remainder of the year would be larger than was expected earlier; and some weakness in the demand for hog products resulting from floods in the Ohio Valley, strike conditions and unseasonably warm weather in Eastern consuming centers. In early February hog prices recovered part of the January decline as a sharp decrease in market supplies occurred.

Prices of fresh pork and lard declined sharply in the last half of January after advancing in late December and early January. Prices of most cured products were about steady during the month. The composite wholesale price of hog products in New York averaged \$20.99 per 100 pounds in January, compared with \$20.34 in December, and with \$21.92 in January last year.

Prices per 100 pounds of hog products at Chicago,
by months, 1935-36 and 1936-37

Month and week	Loins, 8-10 lbs.		Hams, smoked, reg. no. 1, 10-12 lbs.		Bacon, smoked No. 1 dry cure, 5-8 lbs.		Lard, refined H. W. tubs	
	1935-36	1936-37	1935-36	1936-37	1935-36	1936-37	1935-36	1936-37
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Oct.	23.68	19.65	27.97	24.19	33.75	27.34	16.00	12.41
Nov.	21.55	17.26	27.88	22.81	33.81	26.84	14.38	12.66
Dec.	20.08	17.49	23.19	23.20	33.69	27.40	13.62	13.65
Week ended :								
Jan.9:	20.35	20.80	28.75	23.38	33.25	27.62	12.00	14.25
Jan.16:	17.15	19.00	26.75	23.38	30.88	27.62	11.75	14.00
Jan.23:	18.10	17.75	25.75	23.38	29.12	27.62	12.00	14.00
Jan.30:	17.85	17.50	25.25	23.38	29.12	27.62	12.25	13.75
Jan.	19.05	18.76	27.15	23.38	31.12	27.62	12.15	14.00

Slaughter in January reduced.- Hog slaughter under Federal inspection in January, totaling 3,519,000 head, was slightly larger than in January last year but was 25 percent smaller than the slaughter in December. Average weights of hogs marketed in January were heavier than in December but lighter than in January a year earlier. Unfavorable weather and feeding conditions in the Corn Belt resulted in the marketing of increased numbers of unfinished hogs during the past month. Although the 1936 pig crop was about 20 percent larger than that of 1935, it seems probable in view of the large slaughter from October to January that inspected slaughter for the remainder of the marketing year (February through September 1937) will be smaller than that for the corresponding period a year earlier, but not so small as in 1934-35.

Low hog-corn ratio causes early marketing, light weights.- The decline in hog prices during January was accompanied by some strengthening in corn prices. Based on prices of hogs and corn at Chicago, the hog-corn price ratio for the last week of January was 8.9 compared with 9.5 a month earlier and 16.7 a year earlier. The 10-year (1924-33) average hog-corn price ratio for January on the basis of prices at Chicago is 11.6.

The ratio is now lower than at any time since mid-November. The low ratio and scarcity of feed in recent months probably will cause the 1937 spring pig crop to be smaller than that of 1936, as was indicated in the December 1936 pig crop report. The large marketings of hogs thus far in the current marketing year and the lighter average weights of hogs also have been partly due to the fact that the ratio of hog prices to corn prices has been below average.

Storage stocks of pork and lard large on February 1.— Storage holdings of pork and lard on February 1 were larger than a month earlier, considerably larger than a year earlier, and larger than average. Holdings of pork on February 1 were about 11 percent greater than on January 1 and about 70 percent larger than on February 1, 1936. Stocks of lard on February 1 were 25 percent greater than a month earlier and about 140 percent greater than a year earlier, and were the largest for February 1 on record. Storage stocks of pork and lard, however, did not increase so much in January as in November and December. Stocks of hog products on January 1 were about the same as those on the corresponding dates of 1935 following the 1934 drought, but on February 1 they were considerably larger. In 1934-35, however, storage holdings did not increase greatly from November 1 to February 1, whereas in 1936-37, stocks of pork and lard nearly doubled during this period.

Most of the increase in storage holdings of pork in recent months has been in frozen pork. Stocks of frozen pork on February 1 were about four times as large as on November 1, and three times as large as on February 1 last year. The accompanying table shows the percentage which frozen pork represented of the total pork holdings on January 1 and February 1 of this year, with comparisons for earlier years. On February 1, 1937, stocks of frozen pork were the largest for that date on record, and were the second largest holdings of this product ever reported. The proportion which they represented of the total pork stocks also was the largest on record.

Changes in stocks of cured pork and pork in process of cure are largely a reflection of changes in slaughter supplies since curing is a necessary part of pork operations. Stocks of frozen pork, to a considerable extent, represent products which are usually sold as fresh pork or in direct competition with fresh pork. Consequently accumulations of frozen pork tend to be large when prospects of higher prices are evident. Changes in holdings of the frozen product in relation to total stocks of pork therefore reflect to some extent changes in storage demand for hog products. On this basis it appears that the storage demand for hog products was much stronger from October to December 1936 than it was a year earlier and also was somewhat stronger than 2 years earlier.

Storage holdings of total and frozen pork, and frozen as a percentage of total, January 1, and February 1, 1930-37

Year	Total pork		Frozen pork		Frozen pork as a percentage of total	
	Jan. 1	Feb. 1	Jan. 1	Feb. 1	Jan. 1	Feb. 1
	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>Percent</u>	<u>Percent</u>
1930	620,986	687,106	145,078	178,695	23.4	26.0
1931	521,192	726,264	122,994	215,422	23.6	29.7
1932	563,306	674,151	141,758	187,051	25.2	27.7
1933	490,850	575,084	101,793	143,085	20.7	24.9
1934	529,696	730,404	129,763	177,292	20.6	24.3
1935	687,563	667,984	230,866	224,180	33.6	33.6
1936	326,777	436,042	58,270	103,153	17.8	23.7
1937	666,891	1/739,166	285,786	1/322,765	42.9	43.7

1/ Preliminary.

That a strong storage demand probably would develop in the late fall and early winter was indicated in the Outlook reports of this Bureau last fall. Storage demand for hog products was strong in the winter of 1934-35 because a marked decrease was expected in the number of hogs available for market the following spring and summer. In recent months the storage demand situation has been somewhat similar to that prevailing in 1934-35. It is not likely, however, that the decrease in market supplies of hogs during the remainder of 1936-37 will be as large as in 1934-35, nor is it likely that prices of hogs and hog products will advance as much during the remainder of 1936-37 as they did from February to September 1935.

Lard exports larger in 1936 than in 1935, pork exports smaller.-

Changes in exports of pork and lard from the United States for the years 1900-36 are shown in figure 2. The downward trend in exports from 1925 to 1934 was the result of the expansion in hog production in Europe and restrictions on imports imposed by several importing countries. The decrease in United States exports in 1935 and 1936 was due chiefly to the greatly reduced hog production and relatively high prices for hog products in this country. Total exports of pork in 1936 were 23 percent smaller than those in 1935. Lard exports in 1936 were 15 percent larger than in 1935, but except for 1935 they were the smallest in about 50 years.

Total exports of pork in December were smaller than those in November. The quantity of pork shipped abroad also was somewhat less than that of a year earlier both in December and in the first quarter of the present marketing year, October-December 1936. Smaller shipments of hams and shoulders to Great Britain account for the reduced total pork exports during the first quarter of the 1936-37 marketing year. Exports of canned pork have increased gradually in recent months, and in December they were about one-third as large as the exports of cured pork.

Although lard exports in December were smaller than those of the preceding month, exports exceeded those of 1935 both in December and in the first quarter of the marketing year 1935-36. Exports of lard to Cuba, Germany, Mexico and the Netherlands in the period from October through December 1936 exceeded those for the same period in 1935; the increase in shipments to these countries accounts for most of the increase in the total export movement of lard from the United States. Exports of lard to the United Kingdom in December, while slightly larger than those of a month earlier, were somewhat smaller than in December 1935.

Hog Situation in Foreign Countries - in Brief

British import quota fixed for January-March 1/- Following the invalidation of the 1937 pig contracts by the Bacon Marketing Board, the British quota for imports of bacon and hams for the period January through March was fixed provisionally at the same rate as was announced earlier for the first 6 weeks of 1937. Under this provisional quota the total imports of bacon and hams from foreign sources permitted entry into the United Kingdom for the 3 months will be about 148,000,000 pounds, an increase of 4 percent compared with the quota for the same period in 1936. The share of the United States in the British quota continues to be 8.1 percent of the total.

Hog numbers at record levels in Germany 2/- The number of hogs on hand in Germany on December 3, 1936, was estimated to be 25,752,000 head, 13 percent larger than at the same date in 1935. This is the largest number ever reported in December. As shown in the accompanying table the number of all classes of hogs was larger than a year earlier.

The number of bred sows was estimated at 1,196,000 head, the same as in December 1935. Although the number of bred sows from 6 months to 1 year old were 9 percent smaller than a year earlier, the number of such sows over 1 year old was 3 percent larger.

Slaughter hogs, namely, hogs other than boars and sows over 6 months of age, numbered 7,527,000 head in December 1936, or 18 percent more than in December last year. This increase indicates larger marketings of hogs in the first half of 1936 than in the corresponding period of 1935.

Germany (excluding the Saar): Number of hogs, December 3, 1936, with comparisons

Dec. 1 - 4	: Pigs		: Hogs 6 mos. to 1 yr.		: Hogs over 1 yr.		: Grand		total
	under 8 wks.	8 wks. to 6 mos.	Slaugh- ter hogs	Brood sows	In far- row (preg- nant)	Slaugh- ter hogs	Brood sows	In far- row (preg- nant)	
	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands	: Thou- sands
1932	4,834	9,884	5,278	485	259	884	1,384	851	22,859
1933	5,126	10,353	5,386	549	306	899	1,465	923	23,890
1934	4,512	10,052	5,836	452	244	883	1,329	823	23,170
1935	4,745	9,528	5,558	543	314	801	1,408	882	22,722
1936	5,186	10,887	6,646	516	286	881	1,513	910	25,752

Compiled from cable from Agricultural Commissioner H. E. Reed, and original official sources.

1/ Includes boars - not listed separately.

A new order for the regulation of the German livestock meat industry became effective January 1, 1937, the objectives of which are to provide regular supplies to consumers, to encourage production, and to maintain fair prices for livestock and meats. One of the outstanding features of this order is the fixing of a new series of prices for hogs. Previously prices were maintained at the same level throughout the year. In the past, supplies of hogs had been very short in the summer and unusually large in the winter because of the lack of incentive to carry feeds for summer fattening. During 1937, however, the fixed prices for hogs will be higher during the period from July through October than during any other period of the year.

2/ Reports from H. E. Reed, Agricultural Commissioner at Berlin.

Outlook in Canada.-- The increase in Canadian hog marketings, which took place during the summer and autumn of 1936 as a result of the unfavorable ratio between hog and feed prices is expected to continue to the spring of 1937, according to the Agricultural Outlook of Canada for 1937. Hog marketings are expected to be more moderate during the summer months of 1937, whereas fall and winter supplies may show some reduction from those of 1936 as a result of decreased breeding in the autumn of 1936. Supplies from the 1937 spring farrowings are not expected to approach the high output of the fall and winter of 1937.

Canadian trade statistics show that bacon exports for the year 1936 amounted to 158,000,000 pounds, an increase of 26 percent above 1935. Shipments to the United Kingdom constituted 98 percent of the total and showed an increase of 24 percent above the preceding year. This was the largest shipment of bacon to the United Kingdom from Canada since 1919 when 245,000,000 pounds were exported. It is, however, considerably below the quota of 285,000,000 pounds granted to Canada by the Ottawa Agreement. There also has been an increase of lard exports from Canada, the total quantity in 1936 amounting to 29,284,000 pounds, 99 percent of which went to the United Kingdom.

The Outlook

Background - In the January issue of this report the following conclusions with respect to the hog outlook for the current year were stated: (1) Inspected hog slaughter for the marketing year 1936-37 is expected to be from 12 to 16 percent greater than that of 1935-36; (2) Slaughter during the winter season (October to April) probably will represent a larger-than-average proportion of the total yearly slaughter; (3) Hog slaughter in the late summer is likely to be smaller than that of a year earlier; (4) Consumer demand for hog products is expected to be somewhat stronger in 1937 than in 1936.

Slaughter supplies of hogs probably will continue to decrease during March and April. Short supplies of corn and high corn prices in relation to hog prices apparently resulted in a much larger-than-usual proportion of the spring pig crop being marketed in the period from October through December 1936. Hence the number of hogs available for market in the period February to April is considerably smaller than it would have been if supplies and prices of corn had been more nearly normal. The seasonal decrease in hog slaughter from December to March, therefore, is expected to be greater than usual.

The accumulation of hog products in storage in November through January, however, was unusually large and on February 1 such stocks were about twice as large as a year earlier. The increase in storage stocks of hog products on February 1, compared with a year earlier, was equivalent to the products of about 2,500,000 hogs of average market weight. This increase in storage holdings probably will more than offset any decrease in slaughter supplies of hogs occurring during the remainder of the hog marketing year (through September 30, 1937).

Hog marketings during late April and May probably will show a considerable seasonal increase, since the 1936 fall pig crop was 6 percent larger than that of a year earlier, and the proportion of 1936 fall pigs farrowed early was above average. In the late summer, market supplies of hogs will be reduced materially from the level prevailing in the early summer, and they are also expected to be smaller than supplies in the corresponding period of last year.

Marketings of hogs during the coming summer, however, will be affected to a considerable extent by corn crop prospects. If such prospects are favorable, a large number of sows will be retained and bred to farrow next fall, thereby reducing the available market supply for the late summer below what it would be otherwise. Also, if prospects for the 1937 corn crop are favorable, a considerable number of 1936 fall pigs will be held for finishing on the new corn crop rather than marketed during the summer, as is normally the case.

In the January issue of this report it was stated that a moderate seasonal advance in hog prices appeared probable during the late winter and spring as slaughter supplies were reduced. It now seems probable that the effect upon prices of the expected decrease in slaughter supplies will be offset to a considerable extent by the present large storage stocks of hog products. When marketings of hogs from the 1936 fall pig crop begin in large volume in late April or May some decline in prices may occur. With favorable corn crop prospects and small slaughter supplies of hogs in late summer, hog prices in that period probably will advance sharply and are likely to reach the highest level for the hog marketing year in August or September.

Supplementary Data

Table 1.--Average price per 100 pounds of hogs at Chicago, and slaughter of hogs under Federal inspection, by months, 1934-35 to 1936-37

Month	Average price			Slaughter ^{1/}		
	1934-35	1935-36	1936-37	1934-35	1935-36	1936-37
	Dollars	Dollars	Dollars	1,000 head	1,000 head	1,000 head
Oct.	5.60	9.83	9.55	3,545	2,135	3,492
Nov.	5.66	9.31	9.48	4,312	2,422	4,292
Dec.	5.89	9.57	9.96	4,197	2,875	4,681
Jan.	7.70	9.85	10.24	3,048	3,428	3,519
Feb.	8.35	10.37		2,409	2,319	
Mar.	9.09	10.24		2,158	2,617	
Apr.	8.94	10.47		2,178	2,559	
May	9.31	9.58		2,172	2,579	
June	9.27	9.88		1,828	2,739	
July	9.49	9.76		1,712	2,692	
Aug.	10.78	10.06		1,668	2,254	
Sept.	10.95	9.89		1,453	2,403	
Av.	8.42	9.90				
Total				30,680	31,022	

^{1/} Compiled from records of the Bureau of Animal Industry.

Table 2.- Average live weight of hogs, and packing sows as a percentage of total packer and shipper purchases at seven leading markets, by months, October - January, 1934-35 to 1936-37

Month	Hogs, average live weight			Packing sows as a percentage of total packer and shipper purchases	
	1934-35	1935-36	1936-37	1935-36	1936-37
	Pounds	Pounds	Pounds	Percent	Percent
Oct.	218	242	212	23.0	13.0
Nov.	207	232	208	10.0	6.0
Dec.	202	231	214	6.0	5.0
Jan.	213	232	218	4.0	4.0

Table 3.- Average price of corn at Chicago and hog-corn price ratios, specified locations, average October-January 1934-35 to 1936-37, by months October-January 1936-37

Year and month	Average price: per bushel of:		Hog-corn price ratios based on 1/		
	No. 3 yellow	Chicago	North Central:	United	
	corn at	prices	States farm	States	
	Chicago		prices	farm prices	
	Cents	Bushels	Bushels	Bushels	
Average					
Oct.-Jan.					
1934-35	86.0	7.2	7.0	6.9	
1935-36	66.0	14.8	17.0	15.4	
1936-37	108.0	9.1	9.4	9.4	
1936-37					
Oct.	106.6	9.0	9.4	9.4	
Nov.	104.7	9.1	9.2	9.2	
Dec.	107.2	9.3	9.5	9.5	
Jan.	112.2	9.1	9.4	9.3	

1/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.

Table 4.- Storage holdings of pork and lard on February 1,
average 1932-36, annual 1935-37, and January 1, 1937

Item	: Feb. 1 : average : : 1932-36 :	: Feb. 1, : 1935 :	: Feb. 1, : 1936 :	: Jan. 1, : 1937 :	: Feb. 1, : 1937 <u>1/</u> :
	: 1,000 : <u>pounds</u>	: 1,000 : <u>pounds</u>	: 1,000 : <u>pounds</u>	: 1,000 : <u>pounds</u>	: 1,000 : <u>pounds</u>
Pork:					
Frozen	: 166,952	: 224,180	: 103,153	: 285,786	: 322,765
Dry salt, cured, and in process of cure	: 89,081	: 69,358	: 79,664	: 66,512	: 76,210
Pickled, cured, and in process of cure	: 360,699	: 374,446	: 253,225	: 314,593	: 340,191
Total	: 616,732	: 667,984	: 436,042	: 666,891	: 739,166
Lard	: 97,639	: 112,497	: 75,669	: 145,809	: 182,319

1/ Preliminary.

Table 5.- Exports of pork and lard from the United States,
December, October-December, and calendar year,
average 1925-29 and 1930-34,
annual 1935 and 1936

Year	Pork exports <u>1/</u>				Lard exports <u>2/</u>			
	: Dec. :	: Oct. :	: Calendar year	: Percentage	: Dec. :	: Oct. :	: Calendar year	: Percentage
	: Dec. :	: to :	: Total :	: of	: Dec. :	: to :	: Total :	: of
	: Dec. :	: Dec. :	: production <u>3/</u> :		: Dec. :	: Dec. :	: production <u>3/</u> :	
	: 1,000	: 1,000	: 1,000		: 1,000	: 1,000	: 1,000	
	: <u>pounds</u>	: <u>pounds</u>	: <u>pounds</u>	: <u>Percent</u>	: <u>pounds</u>	: <u>pounds</u>	: <u>pounds</u>	: <u>Percent</u>
Average :								
1925-29:	27,960	78,536	369,906	6.5	73,735	187,814	751,560	46.8
1930-34:	10,978	35,970	169,217	3.0	46,988	127,195	561,120	36.6
1935	: 4,934	: 16,475	: 88,680	: 2.5	: 7,898	: 18,655	: 97,359	: 14.7
1936	: 4,145	: 15,216	: 67,929	: 1.4	: 9,473	: 29,672	: 112,168	: 11.3

Compiled from reports of the United States Department of Commerce.

1/ Includes bacon, hams and shoulders, and fresh, canned and pickled pork.

2/ Includes neutral lard.

3/ Production from federally inspected slaughter of hogs.

STORAGE HOLDINGS OF PORK AND LARD ON FIRST OF EACH MONTH,
AVERAGE 1930-34 AND 1934 TO DATE

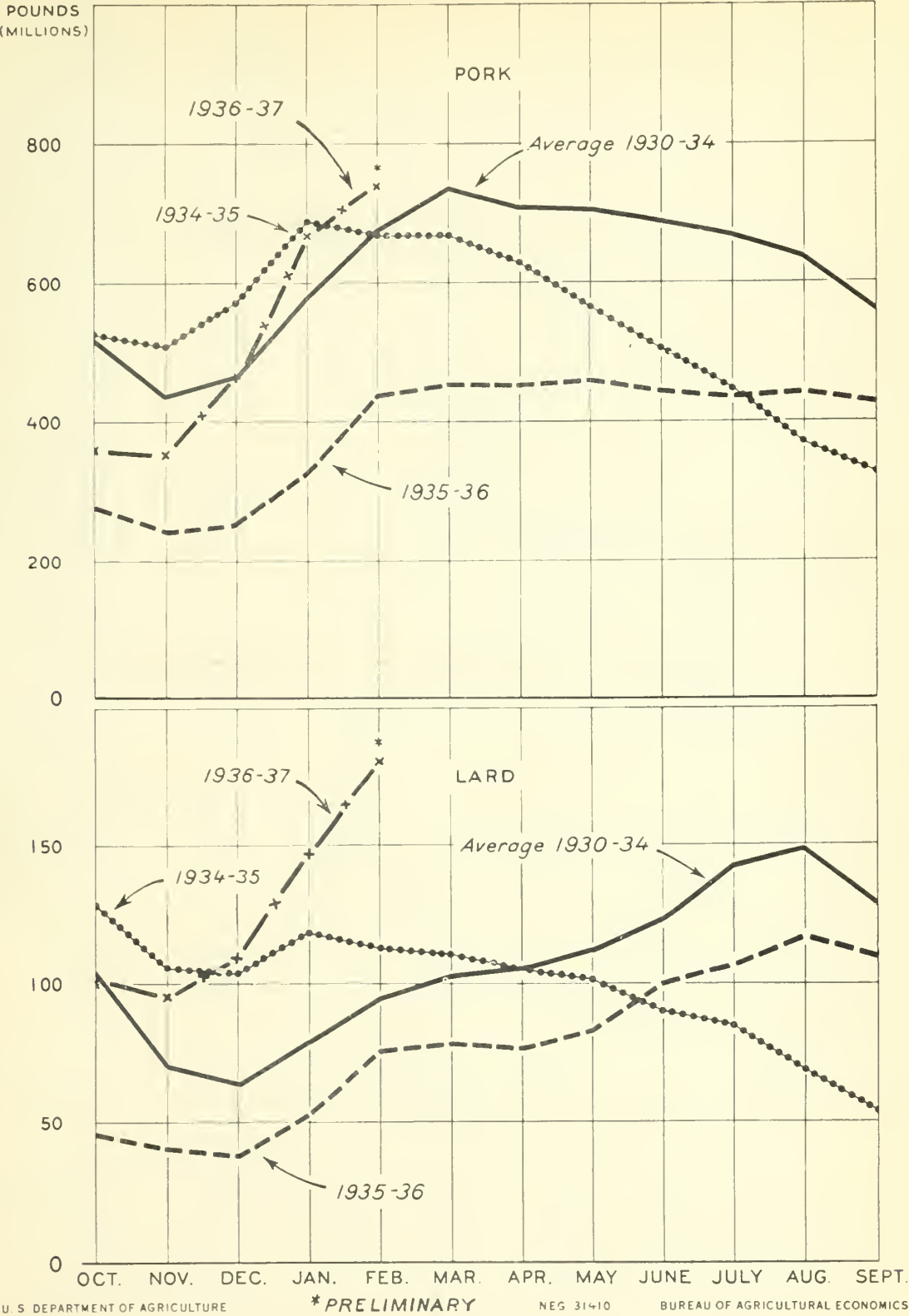
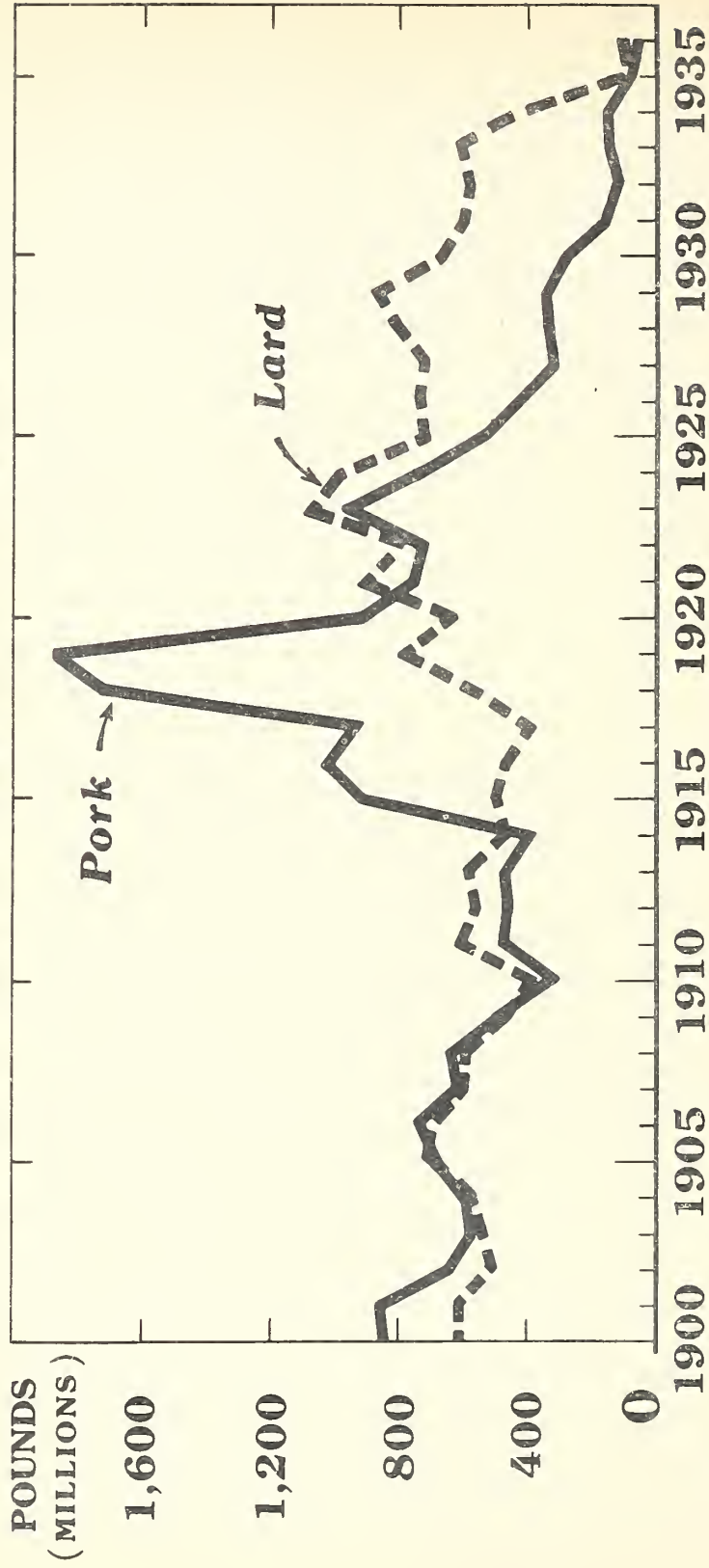


FIGURE 1

Pork and Lard Exports from the United States, 1900 to Date



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FIGURE 2.— EXPORTS OF HOG PRODUCTS IN 1935 AND 1936 WERE AT THE LOWEST LEVELS IN MANY YEARS, PRIMARILY DUE TO THE GREATLY REDUCED PRODUCTION OF HOGS AND THE HIGH PRICES OF HOG PRODUCTS IN THIS COUNTRY. FROM 1925 TO 1934, EXPORTS OF BOTH PORK AND LARD WERE SHARPLY CURTAILED AS A RESULT OF INCREASED EUROPEAN HOG PRODUCTION AND IMPORT RESTRICTIONS ON HOG PRODUCTS IN SEVERAL COUNTRIES. IN 1937, THE CONTINUED SMALL DOMESTIC HOG SLAUGHTER IN PROSPECT IS LIKELY TO RESULT IN AN EXPORT MOVEMENT OF HOG PRODUCTS ABOUT THE SAME AS THAT IN 1936.